GOVERNMENT OF PAKISTAN

THE SECOND FIVE YEAR PLAN

(REVISED ESTIMATES)

November, 1961

7523

CONVERSION TABLE

Country	Currency	Pakistan Rupee per currency unit	Rs. 5 crore	Rs. 10 crore	Rs. 50 crore	Rs. 100 crore
				(In million)		
Australia	Pound	10·67	4·7	9·4	46·8	93·7
Canada	Dollar	4·76	10·5	21·0	105·0	210·0
France	New Franc	0·96	52·0	104·0	520·0	1,040·0
Germany	Deutsche Mark	1·19	42·0	84·0	420·0	840·0
Japan	Yen	0·0132	3,788·0	7,576·0	37,880·0	75,760·0
New Zealand	Pound	13·33	3·7	7·5	37·5	75·0
Sweden	Krona	0·92	54·3	108·6	543·2	1,086·3
United Kingdom	Pound	13·33	3·7	7·5	37·5	75·0
United States of America	Dollar	4·76	10·5	21·0	105·0	210·0
Yugoslavia	Dinar	0·0159	3,145·0	6,290·0	31,450·0	62,900·0

INTERNATIONAL LABOUR OFFICE
CENTRAL LIBRARY AND
DOCUMENTATION BRANCH

THE SECOND FIVE YEAR PLAN

(Revised Estimates)

TABLE OF CONTENTS

PAGES

I. Background for the Revision of the Plan .. .. .. 1—6

II. Sectoral Allocations and Priorities of the Revised Plan .. .. .. 6—9

III. Reasons for Revision .. .. 9—16

- (a) Agriculture 11
- (b) Water and Power 12
- (c) Industries 13
- (d) Fuels and Minerals 13
- (e) Transport and Communications 14
- (f) Housing and Settlements 15
- (g) Education 16

IV. Resources and Financing .. .. 16—25

- (a) Revised Second Plan 19
- (b) Indus Basin replacement works 23
- (c) Works Programme 25

V. Requirement of Maintenance Support .. .. 25—28

VI. Price Stability .. .. 28—29

VII. Gross National Product .. .. 29—30

Statistical Tables

TEXT

TABLE 1.—Sectoral Distribution of the Original and Revised Plans .. 7

TABLE 2.—Comparison of First and Second Plans 8

TABLE 3.—Quantification of Factors Responsible for Increase in the Size of the Second Plan 9

TABLE 4.—Sources and Uses of National Resources, 1959-60 to 1964-65 .. 17

TABLE 5.—Financing of the Second Plan, Indus Basin replacement works and Works Programme 18

TABLE 6.—Resources for the Government Financed Sector, 1960-65 .. 19

TABLE 7.—Foreign Exchange Budget, 1960-65 21

TABLE 8.—PL 480 Counterpart Funds, 1960-65 23

TABLE 9.—Tentative Phasing of Expenditure on Indus Basin replacement works during the Second Plan Period 24

7523

10 JUN 1960

PAGES

TABLE 10.—Projections of Foreign Exchange Earnings, 1960-65 26

TABLE 11.—Projections of Non-development Imports, 1960-65 26

TABLE 12.—Requirement of Maintenance Support, 1960-65 27

TABLE 13.—Causative Analysis of Increase in Money Supply during First and Second Plans 28

TABLE 14.—Gross National Product, 1954-55 to 1964-65 30

APPENDIX A

Quantification of Factors Responsible for Increased Allocation

TABLE A-1 Agriculture 33

TABLE A-2 Water and Power 34

TABLE A-3 Industries 35

TABLE A-4 Fuels and Minerals 36

TABLE A-5 Transport and Communications 37

TABLE A-6 Housing and Settlements 38

TABLE A-7 Education 39

APPENDIX B

Background Tables for Resources and Financing

TABLE B-1 Surplus on Revenue Account 43

TABLE B-2 Financing of the Provincial Programmes 44

APPENDIX C

Conversion of All Tables in Millions of U.S. Dollars

TABLES C-1 to C-23 give the conversion of all tables in the text and Appendices A and B into millions of U.S. Dollars .. .. .. 47—70

22912

THE SECOND FIVE YEAR PLAN

(Revised Estimates)

I. Background for the Revision of the Plan :

The process of economic development which commenced in Pakistan almost immediately after Independence and continued through the period 1955—60 with the First Five-Year Plan, had made significant advance by the end of the decade and achieved considerable results. An impressive infrastructure had been laid. Thus, power generation increased from about 69,000 to nearly a million Kw; the depleted stock of railways inherited by Pakistan had been partly rehabilitated; and a network of roads, irrigation works and essential government buildings had been laid out. The progress in the industrial sector was nothing short of spectacular : starting almost from scratch, the annual rate of industrial growth was over 25 per cent during 1950—55, and has been over 12 per cent more recently in the First Plan period. But perhaps the most significant advance was in the awareness of economic development, its need and urgency, which was created in the country. The government services as well as the potential class of entrepreneurs developed new attitudes towards problems of development. There was a new alertness and the country was poised for a big effort. It was in this milieu that the Second Five-Year Plan was introduced to guide national development in the period July 1960 to June 1965.

2. The Second Five-Year Plan, as originally formulated in June 1960, proposed a total development programme of Rs. 1,900 crore ($ 3,990 million) ; the foreign exchange component of this programme was estimated at Rs. 650 crore ($ 1,365 million). The maintenance support required to balance the current foreign exchange account was projected at Rs. 150 crore ($ 315 million). Expenditure on Indus Basin replacement works (whose financing was kept separate from that of the Plan) was expected to be around Rs. 243 crore ($ 510 million).

3. The size of the Second Plan has had to be raised recently to Rs. 2,300 crore ($ 4,830 million) ; the foreign exchange component of this Revised Plan outlay is expected to be Rs. 845 crore ($ 1,775 million). The maintenance requirements have risen to Rs. 250 crore ($ 525 million). The cost of the Indus Basin replacement works during the Plan period is now estimated at Rs. 330 crore ($ 693 million).

4. The Revised Plan increases the provision for fighting waterlogging and salinity from Rs. 23 crore ($ 48 million) to Rs. 43 crore ($ 90 million). This provision is not adequate for a massive attack on waterlogging and salinity. However, it is considered to be the maximum that can be accommodated within the frame-work of the Plan and still permit the meeting of other urgent development requirements. It would be premature to give any estimate of the total cost of the Master Plan for waterlogging and salinity at present as the methods to be employed for effective and lasting reclamation of land will be determined only after completion of the surveys which President Kennedy's special scientific team are going to undertake. Furthermore, making allowance not only for the time needed to complete the studies underway, but for the time required to plan the field operations, to organize the necessary logistic support, and to get the work underway, it is unlikely that the recommendations will require additional allocation during the period 1961-62 and 1962-63.

5. The principal factors that have necessitated a revision in the cost of the Plan from Rs. 1,900 crore ($ 3,990 million) to Rs. 2,300 crore ($ 4,830 million) are : increases in internal and external prices since 1959 ; under-estimation of costs of several projects in the original Plan, revealed by later engineering reports and surveys ; and some expansion of the physical size of the Plan because of a better estimation of national requirements in certain sectors of the economy. These reasons are discussed in greater detail in paras 21—43.

6. The revised estimates of the Plan, the Indus Basin replacement works and maintenance support, along with estimates of aid requirements for 1961-62 and 1962-63, were presented to the Consortium at its meeting held in June 1961. The Consortium also had before it a Report by the World Bank Mission which had visited Pakistan in January and February 1961. In this Report, the Bank Mission expressed certain reservations in regard to the status, scale and content of the development programme embodied in the Revised Second Plan.

7. The Bank Report expressed uncertainty about the magnitude of the total economic effort contemplated by the Government of Pakistan. Among the uncertain elements, in the Mission's view, were the prospects for an expanded P. L. 480 programme, then under discussion with the Government of the United States ; the Pakistan Government's intentions with regard to the Master Plan for waterlogging and salinity ; and the absence of a provision for implementing the recommendations of the Food and Agriculture Commission and of the Transport Survey Team, which were expected to submit their reports in 1961-62. These issues have by now been resolved by the Government of Pakistan.

8. The Economic Council accorded its general approval to the Revised Plan in June 1961 and decided that "the revised figure of Rs. 2,300 crore ($ 4,830 million) will be regarded as firm and final. If any new schemes or projects, which are not in the Plan, are proposed at any time to be included in it on account of their importance and urgency, their inclusion will be permissible only by substitution of existing projects and not by additions to the Plan".

9. The foreign exchange component of the Revised Plan is Rs. 845 crore ($ 1,775 million). The requirement of maintenance imports is Rs. 250 crore ($ 525 million) and has already been endorsed by the World Bank Mission in its last report. The sum of these two figures (Rs. 1,095 crore or $ 2,300 million) represents the total requirement of foreign assistance, which the Government of Pakistan also regards as firm and final. Any increase in requirements of foreign exchange, which may develop, will be met by the curtailment of consumption, either in the form of expanded exports beyond the projected levels or through reduced imports.

10. The Economic Council has further directed that "aid under the Expanded PL 480 will be negotiated directly with the Government of the United States", and the rupee resources generated thereby be devoted to a Works Programme and other purposes for promoting the welfare of the common man, after allowing for the needs of the Revised Plan and the Indus Basin replacement works. A contract was signed with the United States on October 14, 1961, providing for $ 621 million of surplus commodities for the next four years of the Plan, in addition to $ 101 million already made available during the first year of the Plan. It is estimated that this will provide about Rs. 160 crore ($ 336 million) of counterpart funds for the proposed Works Programme. (*See* paras 52, 55-56). No additional aid in foreign exchange is being requested for this programme.

11. In revising the Plan, the Government of Pakistan has also undertaken a detailed re-examination of the sectoral balance and priorities of the Plan. The sectoral balance of the development programme has been left unchanged except for a transfer of Rs. 10 crore ($ 21 million) from the Housing to the Agricultural Sector. At the same time, Rs. 111 crore ($ 233 million) have been earmarked for the Agricultural Development Corporations, in part by a transfer of resources from the discontinued Village AID programme and, in part, by transfers from the allocations previously made for the Agricultural Ministry and the Provincial Agricultural Departments, for functions to be taken over by the Corporations. Intra-sectoral priorities have also been altered to accommodate certain suggestions made in the World Bank Mission Report. A number of large

multipurpose schemes have been phased out into the Third Plan period. The initial phase has, in many cases, been limited to flood control and drainage, which yield quick results. These initial projects, while still forming a part of bigger integrated programmes, have a distinct character and an independent value. In the case of some multi-purpose schemes, especially in West Pakistan, where large investments have already been made, the work is being accelerated to bring the projects to early fruition.

12. Major organisational changes have also been undertaken to improve the planning, programming, evaluation and implementation of the development programmes. The Planning Commission has been reorganized under the Chairmanship of the President of Pakistan, with enhanced status and enlarged functions. It has absorbed the Projects Division, which was responsible for reporting, evaluating and expediting the execution of development programmes. The staff of the Commission has been substantially expanded. In addition, planning cells are being established in all the Ministries, Departments and Agencies of the Government concerned with development. There is also a growing emphasis on adequate project preparation and technical scrutiny through the Development Working Party before any project is finally accommodated in the annual budget. There is a strong and adequate foreign advisory support to the Planning Commission and, if necessary, it will be expanded. It is hoped that, with these organisational changes, the management of economic development will be significantly improved and strengthened.

13. In order to facilitate and expedite decision-making in the government, an extensive delegation of powers is taking place from the Central and the Provincial Governments to the divisional and district officers. In addition, the scope of autonomous and semi-autonomous bodies is being increased to ensure flexibility, energy and independence of management. Two Agricultural Development Corporations have recently been set up, to follow the pattern which has already produced the two Water and Power Development Authorities (WAPDAs), the Pakistan Industrial Development Corporation (PIDC), the Inland Water Transport Authority (IWTA), the Port Trusts and the Improvement Trusts in various municipalities. Furthermore, the organisational structure and personnel of the older agencies is under continuous review. Machinery for industrial and agricultural credit has been reorganised and revitalised. The functions of the Tariff Commission and the Investment Promotion Bureau have been more sharply defined and their staffs strengthened.

14. A major infusion of foreign engineering advisory services is contemplated. Both East and West WAPDAs have engaged reputable

foreign firms as general consultants, *viz.*, Harza International Engineering Company in West Pakistan and International Engineering Company in East Pakistan. These firms exercise supervisory functions over the technical preparation of projects by both foreign and Pakistani engineering firms. Consultants will also be provided, though on a smaller scale, for other organizations, including IWTA, PIDC, Industrial Development Bank and Small Industries Corporations. Finally, the allocations for all specific projects, having an important engineering component, will include substantial increases for foreign engineering and other technical assistance.

15. Training programmes for the development of administrative and technical skills are being accelerated. In the field of administration, an Administrative Staff College has been set up for intensive training of senior officers in the public service, the armed forces, the semi-autonomous agencies and private industry. Public Administration colleges have been established in each of the Provinces to provide for the training of government officials at the middle level, and the two Academies for Village Development have expanded their programmes for training officers for development administration in the field. The curriculum of the Civil Service Academy has been revised to ensure greater development orientation and public administration courses are being introduced in the curriculum of all major universities. On the technical side, at the highest level, two agricultural and two technical universities are being established, and the existing engineering colleges are being expanded and two new ones set up to increase the output of engineers by 75 per cent over the Plan period. The role of the polytechnics and technical institutes is also being expanded and four new polytechnics are to be added. This programme is designed to produce 1,785 diploma level trained technicians and 6,700 middle grade technicians annually by 1965. Internal technical training programmes are being provided by virtually all the semi-autonomous organisations. Taken together, these programmes promise a rapid expansion in the administrative and technical capacity of the country.

16. The climate for economic development has definitely improved as a result of recent measures taken by the Government. The most significant development has been the progressive relaxation of government controls and restoration of market incentives. Last year, the Government lifted price and distribution controls from wheat, cotton textiles, cotton yarn and 29 other items. Import policy has been relaxed. About one-third of all import items have been placed on the automatic licensing system. The 1961-62 budget has announced further tax concessions to encourage private investment. The tax free investment allowance has been increased from 20 to 30 per cent of total income. The

scope of the tax holiday has been further extended and it will now be available to industries for four, six or eight years, depending on the areas in which they are located. All in all, the government policies have greatly enhanced the ability and willingness of the private sector to undertake a much higher development effort.

II. **Sectoral Allocations and Priorities of the Revised Plan :**

17. The breakdown of the Revised Plan development programme by major sectors and its comparison with the original Plan is shown in Table 1.

TABLE 1

Sectoral Distribution of the Original and Revised Plans

(Crore Rupees)

Field of Development	Public Sector		Semi-Public Sector				Private Sector		Total	
			Government Contribution		Private Contribution					
	Original Allocation	Revised Allocation	Original Allocation	Revised Allocation	Original Allocation	Revised Allocation	Original Allocation	Revised Allocation	Original Allocation	Revised Allocation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Agriculture	214	252	..	..	..	..	88	90	302	342
Water and Power	314	414	..	..	19	19	6	6	339	439
Industry	13	10	104	136	50	58	238	308	405	512
Fuels and Minerals	12	18	18	27	..	..	55	55	85	100
Transport and Communications ..	199	261	11	11	42	42	83	91	335	405
Housing and Settlements	90	141	42	48	39	39	113	113	284	341
Education and Training	87	95	..	..	..	..	10	10	97	105
Health	35	37	..	..	..	..	5	5	40	42
Manpower and Social Welfare	11	12	..	..	..	..	2	2	13	14
Total ..	975	1,240	175	222	150	158	600	680	1,900	2,300

Note.—The sum of columns (2) and (4) and columns (3) and (5) constitutes the "government financed" sector (Rs. 1,150 crore in the original Plan and Rs. 1,462 crore in the Revised Plan). The sum of columns (6) and (8) and columns (7) and (9) constitutes the "private financed" sector (Rs. 750 crore in the original Plan and Rs. 838 crore in the Revised Plan).

18. A comparison of the Revised Second Plan with actual expenditure under the First Plan is given in Table 2. For this purpose, the First Plan expenditure has been adjusted to reflect the revised concept of development expenditure used in the Second Plan and has been converted into 1960-61 prices.

TABLE 2

Comparison of First and Second Plans

(Crore Rupees)

Field of Development	First Plan (actual expenditure)	Revised Second Plan (proposed expenditure)	Percentage Increase
	(In 1960-61	prices)	
Agriculture	144	342	138
Water and Power	230	439	91
Industry, Fuels and Minerals	410	612	49
Transport & Communications	228	405	78
Housing and Settlements	258	341	32
Education and Training	41	105	156
Health	14	42	200
Manpower & Social Welfare	5	14	180
Total ..	1,330	2,300	73

19. It can be seen from Table 2 that the Revised Second Plan envisages an increase in real expenditure of over 70 per cent compared with actual implementation in the First Plan. Including the Indus Basin replacement works and the Works Programme, the increase will be roughly 110 per cent. It is expected that this rate of increase will be a manageable one in the light of the experience of the last few years. During the First Plan period, real investment is estimated to have increased by over 50 per cent. Already during the first two years of the Second Plan, the development expenditure has shown an annual increase of over 20 per cent. The recent measures to improve administration, which have already been commented upon, should enable the country to undertake the level of investment envisaged in the Revised Second Plan, the Works Programme, and the Indus Basin replacement works.

20. The Revised Second Plan lays strong emphasis on agriculture and education, which lagged in the First Plan, and on expanding the infrastructure already laid in the First Plan period, particularly in the fields of water and power and transport and communications. The tempo of industrialisation will be maintained, though care will be taken that only such industries are established as are economical and will be fully utilized in the long run. Increase in the expenditure on housing and settlements will be kept to a minimum, in spite of pressing needs, so as to release more resources for investments having higher productivity in the short run.

III. Reasons for Revision :

21. The principal factors responsible for the increase in the size of the Plan from Rs. 1,900 crore ($ 3,990 million) to Rs. 2,300 crore ($ 4,830 million) were under-estimation of the cost of several projects in the original Plan, increase in prices since 1959, and enlargement of the physical size of the Plan. Table 3 shows roughly the respective importance of these factors.

TABLE 3

Quantification of Factors Responsible for Increase in the Size of the Second Plan.

(Crore Rupees)

Field of Development	Original Plan Allocation	Revised Plan Allocation	Increase in Plan Allocation	Reason for increase in Plan Allocation: Under-provision of Physical Inputs	Price Increase	Increase in Physics Targets
1	2	3	4	5	6	7
Agriculture	302	342	40	7	6	27
Water and Power	339	439	100	49	51	—
Industry	405	512	107	40	64	3
Fuels and Minerals ..	85	100	15	—	5	10
Transport and Communications	335	405	70	11	23	36
Housing and Settlements ..	284	341	57	10	20	27
Education and Training ..	97	105	8	6	2	—
Health, Manpower and Social Welfare.	53	56	3	2	1	—
Total ..	1,900	2,300	400	125	172	103

(For details, see Appendix A, Tables A-1 to A-7)

22. As is clear from the above Table, of the increased cost of Rs. 400 crore ($ 840 million), 31 per cent is explained by under-provision of physical inputs, 43 per cent by price increase and 26 per cent by increase in physical targets. The Revised Plan, therefore, reflects mainly a recosting of the original Plan targets rather than any significant increase in the physical size of the Plan. Despite an increase of 21 per cent in the over-all financial size of the Plan, the physical targets have increased only by about 5 per cent.

23. Engineering and financial details were not available for a number of projects and programmes at the time of the Plan's formulation. Thus, block provisions were made in anticipation of the studies then under-way. In the light of these studies, it is now estimated that the cost of the physical targets in the original Plan had been understated to the extent of Rs. 125 crore ($ 262 million), partly because some of the original engineering estimates had been made several years previously when much lower prices prevailed. This was particularly the case for water and power projects and for some industrial projects of Pakistan Industrial Development Corporation. The increase in cost estimates for the Indus Basin replacement works stems from similar causes.

24. The original Plan was expressed in terms of prices ruling in 1959. The prices of both domestic and imported goods have risen considerably since then owing to a number of factors—decontrol of foodgrains in 1960, relaxation of price controls on several commodities, some rise in international prices for machinery, and the "tied" character of recent aid and loans. In Pakistan, the consumer price index rose by about 9 per cent from 1959-60 to 1960-61, although it has since been more stable. The impact of "tied" loans is more difficult to quantify; it not only restricts purchases to high cost producers in certain cases, but also reduces the scope of competitive bidding. On the basis of a project-by-project analysis, it is estimated that Rs. 172 crore ($ 361 million) of the total cost increase is due to higher prices. This implies roughly an over-all increase of 9 per cent in the price of investment goods. This factor has been particularly marked in the water and power and industrial sectors, which are specially affected by the higher cost of "tied" loans. In the present estimates, a margin has also been allowed for possible increase in prices during the remaining period of the Second Plan. This margin, however, is a modest one since it is assumed that price stability will be maintained in the domestic market and the international prices will not rise substantially.

25. About one-fourth of the increased size of the Plan represents an expansion of physical targets. In other words, it is 5.4 per cent larger in physical terms than the original Plan of Rs. 1,900 crore ($ 3,990 million). This expansion was necessitated partly by the supplementary

requirements of the Indus Basin replacement works, and partly by the need to raise the national income target in order to accommodate the higher rate of population growth revealed by the 1961 Census.

26. Some of the important changes in the sectoral programmes are summarised in the following paragraphs. The details can be seen in Appendix ' A ', Tables A-1 to A-7.

(a) *Agriculture*

27. The original Plan provided Rs. 214 crore ($ 449 million) for agricultural development in the public sector, including Rs. 48 crore ($ 101 million) for Village AID and rural development outside Village AID areas. In the May revision, this allocation was increased to Rs. 242 crore ($ 508 million), Rs. 194 crore ($ 407 million) for agriculture and Rs. 48 crore ($ 101 million) for Village AID etc. It included a higher provision for the construction of seed stores, for increased distribution of fertilizers, seeds and implements, for the increased construction cost of the two Agricultural Universities, and to accommodate a "crash programme" aimed at raising agricultural productivity in certain areas by concentration of inputs and field services.

28. In the present revision, provision has been made for the Agricultural Development Corporations which have now been established. These Corporations will have a Supply Wing, which will take over from the Agricultural Departments, on an enlarged scale, the supply of fertilizers, seeds of improved varieties of crops, and other farm requisites ; and a Field Wing, which will take full responsibility for agricultural development in certain selected areas, such as the newly irrigated areas in West Pakistan. The present revision further increases the allocation for agriculture by Rs. 38 crore ($ 80 million), from Rs. 194 crore ($ 407 million) to Rs. 232 crore ($ 487 million), largely to provide for the expanded agricultural development effort through these Corporations. To make up this amount, Rs. 28 crore ($ 59 million) have been transferred from the Village AID programme and Rs. 10 crore ($ 21 million) from the Housing and Settlements Sector. From the total allocation of Rs. 232 crore ($ 487 million) to agriculture, the Agricultural Development Corporations will command the use of Rs. 111 crore ($ 233 million)—Rs. 91 crore ($ 191 million) for the Supply Wings and Rs. 20 crore ($ 42 million) for the Field Services, general administration and a margin for any increase in the supply requirements. The Village AID is being disbanded. Its agricultural development functions are being taken over by the Agricultural Departments and (in the selected areas) by the Corporations and its other functions by the Basic Democracies.

(b) *Water and Power*

29. The original Plan provision of Rs. 339 crore ($ 712 million) has been increased by Rs. 100 crore ($ 210 million), without the targets in this sector having been raised at all. Approximately, half of the increase is due to underprovision of inputs and the other half to increase in prices. While many programmes have been increased, others have been reduced.

30. In East Pakistan, the allocation has been increased from Rs. 152 crore ($ 319 million) to Rs. 176 crore ($ 370 million). An additional Rs. 17 crore ($ 36 million) is provided to cover an increase in cost and an accelerated implementation of the Coastal Embankments Scheme, and an increase of Rs. 8 crore ($ 17 million) to cover the increased cost of power distribution. The revised allocations are based upon detailed studies prepared by the International Engineering Company. In addition, six very small projects, costing in total Rs. 1 crore ($ 2 million), were added to the power programme in the Province in order to meet specific immediate needs.

31. In response to the observations and suggestions contained in the World Bank Mission's report, some modifications have been made in the East Pakistan Water and Power Programme. The major modification has been a decrease in the allocations to the Teesta, Ganges Kobadak (Jessore unit), and Khulna Multi-purpose Projects. As against Rs. 45 crore ($ 95 million), originally provided in the Plan for these projects, Rs. 15 crore ($ 32 million) is now allocated to them. This reduced allocation will permit the implementation of flood control, irrigation and drainage elements of the original projects, which will yield their benefits in a relatively short time and which will represent worthwhile investments whether or not the other features of the full schemes are implemented. The funds so released have been used to increase the allocations to other relatively quick-yielding flood regulation and pump irrigation projects in East Pakistan.

32. In West Pakistan the water and power allocation has been increased from Rs. 153 crore ($ 321 million) to Rs. 227 crore ($ 476 million). This was necessary to provide for increased cost of irrigation, drainage, reclamation and tubewells and an increased provision for electric power distribution. The increase for drainage and reclamation from Rs. 23 crore ($ 48 million) to Rs. 43 crore ($ 90 million) represents a modest provision relative to the real requirements of combating water-logging and salinity which are only now beginning to become apparent. An additional provision of Rs. 41 crore ($ 86 million) has been made for power in West Pakistan : Rs. 19 crore ($ 40 million) to make a start in rural electrification, and the balance to meet the increased costs of power

installation and distribution. In accordance with the suggestions of the World Bank Mission, the programme of rural electrification will be taken in hand gradually and, as far as possible, it will be dovetailed with the tubewell programme to reduce overall costs.

(c) *Industries*

33. The Plan originally provided for an allocation of Rs. 405 crore ($ 850 million) for industrial development. The increase in allocation of Rs. 107 crore ($ 225 million) was necessitated almost entirely by rising prices of imported machinery and equipment and by the firming up of engineering estimates of the costs of particular plants. Approximately 60 per cent of this total, or Rs. 64 crore ($ 135 million) is accounted for by an estimated rise of 15 per cent in the prices of such equipment and in its costs of installation over the Plan period. Some rise has taken place in the price of industrial land, owing to the recently enunciated Government policy of avoiding the imposition of undue hardship on small landholders whose land is taken over for industrial use. The under-provision of physical inputs in the industrial programme is best illustrated by the complex of petrochemical plants to make acetylene, polyvinylchloride and polyachronitrile. A provision for petrochemicals was made on the basis of a preliminary estimate by a well known foreign consultant, which subsequent studies have shown to have been under-estimated by Rs. 19 crore ($ 40 million). Underestimates of a similar nature were made in the projected expansion of newsprint capacity, in the production of white cement, and in the provisions made for working capital for large scale industries and for the revolving credit fund for small industries. The total adjustment for earlier underprovisions is estimated at Rs. 40 crore ($ 84 million) or 37 per cent of the increased allocation for industries.

34. The changes in the composition of the industrial sector have been very minor, and involve an expenditure of Rs. 3 crore ($ 6 million) for three new units. One of these is a coal distillation plant to utilise indigenous coal finds for the production of solvents and disinfectants. The second is an antibiotics plant to produce the much needed streptomycin in East Pakistan. The third is an alcohol plant to make use of the by-product molasses from sugar mills to produce alcohol for the pharmaceutical industry, and thereby to improve the economics of both of these industries.

(d) *Fuels and Minerals*

35. The original Plan allocation of Rs. 85 crore ($ 178 million) has been increased to Rs. 100 crore ($ 210 million) in the Revised Plan. The increase is confined to two items. A sum of Rs. 1 crore ($ 2 million) has

been added to the allocation for the Geological Survey in order to accelerate the investigation and exploitation of the country's mineral wealth. The balance of Rs. 14 crore ($ 29 million) has been committed in the public sector to the vitally important function of intensifying the search for oil.

(e) *Transport and Communications*

36. The increase in allocation of Rs. 70 crore ($ 147 million) is to a large extent a correction of inadequate allocations in the original Plan to several important sub-sectors within the transport sector, in particular to the railways. The initial provisions for these sub-sectors were tentative in nature, pending the completion of detailed transport surveys in East and West Pakistan. Although the final results of these surveys will not be submitted until late 1961 and early 1962, enough information is now available to show that the allocations in the Plan will need substantial increases if the transportation system is to be able to meet the traffic requirements projected under the Plan and generated by the Indus Basin replacement works.

37. In the case of the railways, the original provision of Rs. 96 crore ($ 202 million) has had to be increased to Rs. 140 crore ($ 294 million). Approximately one half of the additional allocation is for the acquisition of 61 additional locomotives and 7,355 additional wagons, and for the improvement of signalling and terminal facilities. This expansion is now recognized as essential to handle projected traffic and supplementary requirements of Indus Basin replacement works. The other major element of increase, amounting to Rs. 14 crore ($ 29 million), is attributable to increases in the cost of equipment and of construction, estimated at 15 per cent over the Plan period. The third aspect of the railways programme, for which an additional provision has been made, is the construction of two new lines, totalling 95 miles in all, one in West Pakistan and two in East Pakistan. The Kot Adu-D. G. Khan Line in West Pakistan is the first stage in the completion of an alternative rail link of Kashmore-Kot Adu between the northern and southern areas of the Province. This line will also serve the newly developing agricultural areas west of the Indus which will be irrigated by the Taunsa and Guddu Barrages. The proposed Narsingdi-Madanganj line in East Pakistan will relieve traffic congestion, reduce transport costs, and facilitate industrial growth in the Madanganj area. It will also help to balance the flow of import and export traffic handled by the ports of Chittagong and Chalna. The rail head which terminates at Kurigram in Rangpur District is proposed to be extended to Chilmari which is a well-populated fertile area with flourishing business centres.

38. In the field of civil aviation, there was also a substantial underestimate of the cost of remodelling the existing airfields at Karachi, Chittagong, Dacca, Lahore and Rawalpindi so as to enable them to meet the impending requirements of jet air traffic. To finance this modernization programme, it has been necessary to make an additional provision of Rs. 10 crore ($ 21 million).

39. No increase in the road programme has been suggested, except that an additional Rs. 2.4 crore ($ 5 million) will be required for the construction of an all-weather road to Gilgit. This is an essential on-going scheme, work on which started about two years ago. The object of the project is to provide an all-weather connection to the northern regions of West Pakistan, which remain completely isolated for about nine months in the year and to which essential supplies have to be airlifted. This increased allocation has been necessitated by the fact that the difficulties of construction in this isolated area were underestimated and because improvements in the alignment and in the specifications of the road have had to be made.

40. Relatively small changes have been made in four other subsectors. An increase of Rs. 3 crore ($ 6 million) has been provided to compensate for the higher prices of vehicles for road transport. An allocation of Rs. 4.5 crore ($ 9 million) has been made in the private sector for essential rehabilitation and modernization of the existing Inland Water Transport fleet in East Pakistan. The allocation for Chalna Anchorage has been increased by Rs. 1.4 crore ($ 3 million) so as to correct for earlier underestimates of the cost of developing this second port for East Pakistan. In the telecommunications field, an additional allocation has been made to adjust for revised engineering estimates, price rises, and the installation of a storm warning system in East Pakistan.

(f) *Housing and Settlements*

41. The original allocation of Rs. 284 crore ($ 596 million) has been increased by Rs. 57 crore ($ 120 million) to compensate for an estimated 7 per cent increase in the cost of construction, to enable the Government to undertake a larger share of the burden of providing refugee housing, and to meet a small proportion of the pressing requirements for adequate water supply and for housing of key government officials in new administrative developmental headquarters.

42. Almost one half of the increased allocation (Rs. 26 crore or $ 55 million) has resulted from the decision of the government to construct 80 per cent of the nucleus houses for low-income groups instead of the 20 per cent provided in the original Plan, in view of the paucity of

private investment in this field. The overall target of low cost housing has not changed but, as a result of the increased investment of the public sector in this field and no corresponding reduction in the target of private investment in housing, the target of other private construction has implicitly increased in real terms. The provision for public sector aid to local bodies has also been raised by Rs. 4 crore ($ 8 million) since these local bodies have not been able to mobilise their own resources on the scale envisaged in the original Plan. The increased allocation of Rs. 14 crore ($ 29 million) for government servants' housing and government buildings has become necessary particularly in view of the recent creation of three new divisions and about a dozen sub-divisions, and the need for establishing new regional administrative and technical headquarters.

(g) *Education*

43. The original allocation of Rs. 97 crore ($ 204 million) has been increased by Rs. 8.5 crore ($ 17 million), or a little less than 10 per cent. One half of this amount is for scholarships which had formerly been classified as "non-developmental" and charged against the revenue budgets of the Provincial Governments. An allocation of Rs. 2.2 crore ($ 4 million) has also been made for technical education, mainly to provide for the revised costs of construction and equipment of the technical university and five technical schools in East Pakistan, and of the technical training institutes and the Technical Teachers Training College in West Pakistan. A small provision has also been made for the establishment of an Institute of Industrial Design and an Institute of Graphic Arts. The balance of Rs. 2 crore ($ 4 million) has been spread over primary, secondary, teacher and college education to compensate in part for rising prices and to make initial provision for educational institutions in the new capital of Islamabad.

IV. **Resources and Financing :**

44. The position in regard to the projected availability and use of national resources can be readily gleaned from Table 4. It is assumed that annual increase in GNP will be nearly 5 per cent as a result of the implementation of the Revised Plan, Indus Basin replacement works, and Works Programme (discussed further in para 67). The availability of foreign resources is projected at Rs. 1,095 crore ($ 2,300 million) for the Revised Plan (including maintenance needs), Rs. 224 crore ($ 570 million) for the Indus Basin replacement works, and Rs. 344 crore ($ 722 million) in the form of PL 480 aid. This should enable the country to accommodate the requirements of the Revised Plan (Rs. 2,300 crore or $ 4,830 million), the Indus Basin replacement work (Rs. 330 crore or

$ 693 million), and the Works Programme (Rs. 160 crore or $ 336 million), while permitting an annual increase of nearly 4 per cent in total consumption, or about 1½ per cent in *per capita* consumption.

TABLE 4

Sources and Uses of National Resources

(In 1960-61 prices)

(Crore Rupees).

	1959-60 (actual)	1964-65 (projection)	Total Second Plan Period
Sources			
Gross National Product	3,000	3,727	17,000
Foreign Aid and Loans (including commodity aid) ..	123	250	1,095
Foreign Exchange Loans for Indus Basin	—	64	224
PL 480 Aid	37	100	344
Total Resources: ..	3,160	4,141	18,663
Uses			
Plan Investment	290	591	2,300
Indus Basin replacement works	—	100	330
Works Programme	—	50	160
Consumption	2,870	3,400	15,873
Total Uses: ..	3,160	4,141	18,663

45. The Second Plan period will witness a decisive acceleration in economic growth, investment and consumption. Gross National Product is projected to increase by 24 per cent over the Plan period. Gross investment will rise from about 10 per cent of GNP in 1959-60 to nearly 20 per cent by 1964-65 while gross domestic savings are expected to increase from about 5 per cent of GNP to over 9 per cent during the same period. The rate of marginal savings implicit in these projections is roughly 25 per cent. Thus, the Revised Plan, if fully implemented, will lead to a substantial increase in the income, investment, saving, and consumption of the country.

46. The mode of financing of the Second Plan, Indus Basin replacement works and Works Programme is spelt out in Table 5. This gives an integrated pricture of these programmes which is elaborated in subsequent paragraphs.

TABLE 5

Financing of the Second Plan, Indus Basin replacement works and Works Programme

(Crore Rupees).

	Original Estimates			Revised Estimates		
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total
Requirements						
Second Plan	1,250	650	1,900	1,455	845	2,300
Maintenance Needs* ..	150	+150	—	—250	+250	..
Net Second Plan ..	1,100	800	1,900	1,205	1,095	2,300
Indus Basin replacement works	108	135	243	144	186	330
Works Programme	—	—	—	122	38	160
Total requirements ..	1,208	935	2,143	1,471	1,319	2,790
Financing						
A. *Second Plan*						
Revenue Surplus ..	80	—	80	122	—	122
Net Capital Receipts ..	150	—	150	140	—	140
Additional Taxation ..	100	—	100	175	—	175
Deficit Financing ..	100	—	100	—	—	—
Local Bodies	20	—	20	20	—	20
Project Aid and Loans ..	—	490	490	—	685	685
Foreign Private Investment	—	60	60	—	60	60
Commodity Aid ..	—	250	250	—	350	350
Customs on Commodity Aid	50	—	50	70	—	70
PL 480 Counterpart Funds	—	—	—	60	—	60
Private Savings (including Public Corporations' own resources)	600	—	600	618	—	618
Sub-Total (A)	1,100	800	1,900	1,205	1,095	2,300
B. *Indus Basin replacement works*						
Foreign Exchange Loans	..	173	173	—	224	224
PL 480 Counterpart Funds	70	—	70	106	—	106
Excess of Foreign Exchange over Needs	+38	—38	—	+38	—38	—
Sub-Total (B)	108	135	243	144	186	330
C. *Works Programme*						
Availability of PL 480 Counterpart Funds	—	—	—	160	—	160
Purchase of Foreign Exchange from Indus Fund	—	—	—	—38	+38	..
Sub-Total (C)..	—	—	—	122	38	160
GRAND TOTAL (A+B+C)	1,208	935	2,143	1,471	1,319	2,790

---

* Maintenance support will generate rupee resources which have already been taken into account in calculating the availability of rupee resources for the Plan.

47. The revised projections show that the foreign exchange component of the Second Plan has risen more than the domestic component. This is because (a) about half of the increased expenditure is in the industry and water and power sectors which happen to be more foreign exchange intensive, and (b) import prices of investment goods have risen more than domestic prices, as a result of the "tied" character of foreign aid and loans.

(a) *Revised Second Plan*

48. The Revised Plan of Rs. 2,300 crore ($ 4,830 million) will be financed to the extent of Rs. 1,205 crore ($ 2,530 million), 52 per cent, by domestic savings and Rs. 1,095 crore ($ 2,300 million), 48 per cent, by foreign aid and loans.

49. Resources for the Government financed sector are shown in Table 6 below :

TABLE 6

Resources for the Government Financed Sector

(1960—65)

(Crore Rupees)

	Original Plan	Revised Plan
Sources		
Surplus on Revenue Account	80	122
Net Capital Receipts	150	140
Local Bodies	20	20
Sales Proceeds of Commodity Aid	300	420
PL 480 Counterpart Funds	—	60
Project Aid and Loans	400	525
Additional Taxation	100	175
Deficit Financing	100	—
Total	1,150	1,462
Uses		
Public Sector's Own Development Programme	975	1,240
Loans to the Semi-Public Sector	175	222
Total	1,150	1,462

50. A brief explanation of these projections is given below :—

(i) *Surplus on Revenue Account.*—The revenue surplus is estimated to have been Rs. 23 crore ($ 48 million) in 1959-60 and Rs. 21 crore ($ 44 million) in 1960-61, after excluding the additional taxation levied in 1960-61. On these indications, the Plan target of revenue surplus should not be difficult to realise. The projections of revenue surplus provide for an adequate increase in non-development expenditure of the public sector. The administrative expenditure of the Government is assumed to increase by over 4 per cent per annum, whereas the burden of recurring liability in respect of development schemes is expected to increase by about 14 per cent per annum. That part of the defence expenditure which was being financed so far from the defence support counterpart funds is now shown as a domestic liability in view of the imminent termination of the defence support. An allowance has also been made in these projections for the forthcoming recommendations of the Pay and Services Commission. The detailed projections of revenue surplus can be seen in Appendix B, Table B-1.

(ii) *Capital Receipts.*—Net capital receipts are expected to amount to Rs. 140 crore ($ 294 million) during the Plan period. The main sources of these receipts will be small savings, public borrowing from non-bank sources, sale of PIDC assets, and depreciation and other reserve funds. A provision has also been made in the revised projections for a higher capital liability arising out of the higher level of foreign loans to be contracted during the Second Plan period.

(iii) *Local Bodies.*—The institutions of Basic Democracies have been given increased powers of taxation as well as additional responsibilities for development work. Although it is too early to estimate their contribution, it is expected that they will be able to mobilise at least Rs. 20 crore ($ 42 million) during the Plan period.

(iv) *Sales Proceeds of Commodity Aid.*—The requirement of commodity aid from USA, Canada and other countries is projected at Rs. 350 crore ($ 735 million) in the Revised Plan, consisting of Rs. 250 crore ($ 525 million) of maintenance support and Rs. 100 crore ($ 210 million) of non-project assistance for development programmes. After taking into account the customs duties and sales tax on commodity aid, Rs. 420 crore ($ 882 million) are likely to be available for development projects. An effort will be made to arrange an even higher level of commodity aid so that the country enjoys more flexibility in budgeting its development programmes.

(v) *Project Aid and Loans.*—It is assumed that the availability of project aid and loans to the public sector will be about Rs. 525 crore ($ 1,103 million). In addition, the public sector will receive Rs. 350

crore ($ 735 million) in the form of commodity aid. The total availability of Rs. 875 crore ($ 1,838 million) in public sector will exceed the foreign exchange component of the public sector (Rs. 453 crore or $ 952 million) by Rs. 422 crore ($ 886 million). The public sector will sell this excess foreign exchange to the private and semi-public sectors in exchange for rupee resources. Of this, the private and semi-public sectors will use Rs. 250 crore ($ 525 million) for maintenance support and the balance of Rs. 172 crore ($ 361 million) for their development programmes. The foreign exchange component of the private and semi-public sectors is estimated at Rs. 392 crore ($ 823 million) so that an additional Rs. 220 crore ($ 462 million) of foreign aid, loans and investments will have to go directly to these sectors. It is expected that this amount would be forthcoming : Rs. 60 crore ($ 126 million) in the form of private foreign investment, mainly in oil and gas explorations ; Rs. 75 crore ($ 158 million) through PICIC ; Rs. 60 crore ($ 126 million) through PIDB (Pakistan Industrial Development Bank) ; and Rs. 25 crore ($ 52 million) in direct loans to the public corporations. The nature of foreign exchange budgeting, envisaged in the Revised Plan, is illustrated briefly in the following Table :—

TABLE 7

Foreign Exchange Budget

(1960—65)

(Crore Rupees)

Availability	Public Sector	Private & Semi-Public Sectors	Total	Uses	Public Sector	Private & Semi-Public Sectors	Total
Project Aid and Loans	525	160	685	Foreign Exchange Component.	453	392	845
Foreign Private Investment	—	60	60	Maintenance Needs	—	250	250
Commodity Aid ..	350	..	350				
Total Availability	875	220	1,095	Total Uses ..	453	642	1,095

(vi) *Additional Taxation.*—Additional taxation was imposed in 1960-61 to the extent of Rs. 12 crore ($ 25 million) which is calculated to yield a total revenue of Rs. 75 crore ($ 158 million) over the Plan period. It is expected that another Rs. 100 crore ($ 210 million) will be raised in the remaining four years.

(vii) *Deficit Financing.*—It is assumed that the Government will not undertake any net deficit financing over the entire Plan period. This does not mean, however, that the Government has decided to abandon the use of fiscal and monetary policies to combat any inflationary or deflationary tendencies that might develop in the economy. It only means that the Government will strive to maintain overall price stability. The position in regard to deficit financing will have to be reviewed annually in the light of the developing monetary situation. The safe limits of increase in money supply and bank credit are discussed below in paras 63—66.

(viii) The financing of the public sector programme by executing agencies is shown in Appendix B, Table B-2.

51. The private financed development expenditure is estimated at Rs. 838 crore ($ 1,760 million). Of this, Rs. 220 crore ($ 462 million) is expected to be available through foreign aid, loans and investments, as indicated in Table 7. The balance of Rs. 618 crore ($ 1,298 million) will be raised through the self-financing of public corporations and private sector and through borrowings from the banking system and the stock exchange. As discussed later, a provision has been made for the private sector to borrow up to Rs. 200 crore ($ 420 million) from the banking system over the Plan period. The stock exchange should help in mobilising at least Rs. 50 crore ($ 105 million) of domestic capital. It should not be difficult to mobilise the balance of domestic savings in the private sector in view of the considerable expansion in the size of the industrial sector which is being projected and the past tradition of this sector of reinvesting 75 per cent to 80 per cent of its profits.

52. Pakistan is also expected to receive Rs. 344 crore ($ 722 million) under the Expanded PL 480 programme. An Agreement for $ 621 million of PL 480 Aid has been signed on October 14, 1961, for the next four years, in addition to $ 101 million already received during 1960-61. After taking into account the customs duties and sales tax on some of the items of PL 480 Aid (*e.g.*, tallow, cotton, oils and tobacco), the total amount of accruals is expected to be Rs. 364 crore ($ 764 million). According to the recent PL 480 agreement, 11 per cent of the counterpart funds (Rs. 38 crore or $ 80 million) will be earmarked for U.S. uses. Another 19 per cent of the counterpart funds (Rs. 65 crore or $ 137 million) will be used for the Indus Basin Fund, besides Rs. 25 crore ($ 52 million) already earmarked for this purpose out of the accumulated PL 480 counterpart funds. In addition, West Pakistan WAPDA has indicated that the non-reimbursable financial liability of Pakistan Government on account of the enlargement of the scope of the Indus Basin replacement works will be about Rs. 16 crore ($ 34 million) during the Second Plan period.

Thus, Rs. 106 crore ($ 223 million) will have to be diverted to Indus Basin replacement works from the accruals of PL 480 counterpart funds. As indicated above, Rs. 60 crore ($ 126 million) of PL 480 counterpart funds will need to be utilized for the Plan development programme. This leaves a balance of Rs. 160 crore ($ 336 million) for the proposed Works Programme. The position is summarised in the Table below :—

TABLE 8

PL 480 *Counterpart Funds*

(1960—65)

(Crore Rupees)

Accruals		Uses	
Expected Arrivals	344	U.S. uses	38
Customs and Sales Tax	20	Indus Basin replacement works ..	106
		Revised Plan requirement ..	60
		Available for Works Programme	160
Total ..	364	Total ..	364

Since the amount of PL 480 is contingent on Pakistan's ability to absorb it effectively, it is possible that higher resources may become available for the Works Programme than indicated here.

(b) *Indus Basin replacement works*

53. The total cost of the Indus Basin replacement works was originally estimated at about Rs. 400 crore ($ 840 million) in the Fund Agreement. The West Pakistan WAPDA has made a preliminary re-estimate of these costs, which has been accepted by the Planning Commission for planning purposes. This revised estimate puts the cost of the replacement works at Rs. 616 crore ($ 1,297 million). This excludes Rs. 10 crore ($ 21 million) to be spent on the improvement of railways during the Second Plan period which has already been taken into account in the railway allocations of the Revised Plan.

54. According to the revised estimates, the expenditure on Indus Basin replacement works during the Second Plan period would be Rs. 330 crore ($ 693 million). The tentative phasing of this expenditure, as prepared by WAPDA, is shown in Table 9 below. The reimbursable expenditure is projected at Rs. 314 crore ($ 660 million) and the non-reimbursable part at Rs. 16 crore ($ 34 million). So far as the financing of this

expenditure is concerned, Rs. 16 crore ($ 34 million) of non-reimbursable liability would be met out of PL 480 counterpart funds, as shown in Table 8 above. The balance is to be met by the signatories to the Indus Treaty. A part of the U.S. contribution would be financed by earmarking about Rs. 90 crore ($ 189 million) of PL 480 counterpart funds for the Indus Basin works. Thus, the total expenditure of Rs. 330 crore ($ 693 million) would be met to the extent of Rs. 106 crore ($ 223 million) from counterpart funds and Rs. 224 crore ($ 470 million) from grants and loans in foreign exchange. Since the foreign exchange component of these works is estimated at Rs. 186 crore ($ 390 million), there will be a net foreign exchange surplus of Rs. 38 crore ($ 80 million). The Fund Agreement contemplated the use of this Rs. 38 crore ($ 80 million) of foreign exchange for the purchase of rupees from the State Bank. This was intended to provide for the import of commodities to counteract the inflationary effects of the Basin Works. The expanded PL 480 programme has now increased the capacity to resist inflation through increased supplies of essential commodities, increased productivity resulting from the PL 480 financed Works Programme and the ability to dispense with deficit financing stemming from increased rupee resources. In view of these considerations, it is proposed that the major part of the Rs. 38 crore ($ 80 million) of foreign exchange surplus under the Indus Treaty be used to meet the foreign exchange requirement of the P.L. 480 Programme.

TABLE 9

Tentative Phasing of Expenditure on Indus Basin replacement works during the Second Plan period.

	Non-reimbursable Expenditure			Reimbursable Expenditure			Total		
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total
1960-61 ..	0·4	—	0·4	3·2	2·8	6·0	3·6	2·8	6·4
1961-62 ..	0·7	0·3	1·0	39·3	12·2	51·5	40·0	12·5	52·5
1962-63 ..	0·5	1·0	1·5	29·9	46·5	76·4	30·4	47·5	77·9
1963-64 ..	1·5	2·3	3·8	25·5	63·9	89·4	27·0	66·2	93·2
1964-65 ..	3·7	5·4	9·1	39·6	51·4	91·0	43·3	56·8	100·1
Total Second Plan Period ..	6·8	9·0	15·8	137·5	176·8	314·3	144·3	185·8	330·1

(c) *Works Programme*

55. As shown earlier, at least Rs. 160 crore ($ 336 million) will be available in rupee resources for undertaking a major Works Programme. It is proposed to utilize a part of the anti-inflationary cushion of Rs. 38 crore ($ 80 million) of the Indus Basin replacement works to finance the foreign exchange component of the expanded PL 480 programme: to provide the increased port, railway, storage and other facilities necessary for the distribution of the surplus commodities and to supply the small equipment and imported raw materials required by the Works Programme.

56. The central idea of the Works Programme is to put the under-utilized manpower of Pakistan to work on nation-building projects by the liberal provision of basic wage-goods. Detailed programmes are still being worked out, though it may be mentioned that the main sectors benefiting from this programme will be coastal embankments, low lift pump and small irrigation schemes, low cost housing, feeder roads, school construction, water supply and drainage and reclamation. During the initial stages, a major part of the programme will be mounted through existing administrative organizations in the Provinces and the Centre. However, it is proposed to transfer administrative responsibility as rapidly as feasible to the District and lower levels, both to take advantage of the growing strength of the Basic Democracies as well as to provide part of the resources required for their development.

V. Requirement of Maintenance Support:

57. The total foreign exchange earnings during the Plan period are expected to be about Rs. 1,125 crore ($ 2,363 million) or an annual average of Rs. 225 crore ($ 473 million). Already in 1960-61, the foreign exchange earnings have reached a level of Rs. 221 crore ($ 464 million). It is hoped that it will be possible to exceed the Plan targets of export earnings by maintaining and strengthening the present export incentives.

58. The projections of foreign exchange earnings are summarised in Table 10. It is estimated that total foreign exchange earnings will rise from an actual level of Rs. 221 crore ($ 464 million) in 1960-61 to Rs. 245 crore ($ 515 million) by 1964-65. The principal underlying assumptions are that, by 1964-65, it would be possible to export 4.4 million bales of raw jute, 290 thousand tons of jute manufactures, 650 thousand bales of raw cotton, 50 million lbs. of cotton yarn, 225 million yards of cotton cloth, and a considerably increased amount of other manufactured products covered by the export bonus scheme.

TABLE 10

Projections of Foreign Exchange Earnings

(1960—65)

(Crore Rupees)

	1960-61 (Actual)	1964-65 (Projection)	Total Second Plan Period
Raw Jute	87	80	410
Jute Manufactures	32	34	160
Raw Cotton	20	26	110
Cotton Manufactures	12	22	80
Hides and Skins	7	7	35
Wool	8	8	40
Miscellaneous Exports	27	40	150
Invisible Receipts	28	28	140
Total ..	221	245	1,125

59. Foreign exchange expenditure on essential non-development payments has been projected at Rs. 1,375 crore ($ 2,887 million) for the Plan period, or an annual average of Rs. 275 crore ($ 578 million). It is expected to rise from Rs. 221 crore ($ 464 million) in 1960-61 to Rs. 305 crore ($ 641 million) in 1964-65. The projections of non-development imports are summarised in Table 11 :

TABLE 11

Projections of Non-development Imports

(1960—65)

(Crore Rupees)

	1960-61 (Actual)	1964-65 (Projection)	Total Second Plan Period
Consumer Goods	37	32	170
Raw Materials, Fuels and Spares	97	154	680
Invisible Payments (on private account) ..	37	43	200
Debt Service	8	48	145
Other Government Expenditure	22	23	110
Foodgrain purchases from Pakistan's own resources (including freight on aided imports).	20	5	70
Total ..	221	305	1,375

60. The above projections are based on the following main assumption : (i) It would be possible to reduce total consumer goods imports through import substitution during the Plan period, notably for petroleum products and certain textile goods ; (ii) the imports of raw materials, fuels and spares should be maintained at a level which permits a fuller utilization of existing and new industrial capacity ; (iii) the estimates of debt

servicing have been worked out by the World Bank, taking into account the new loans to be contracted during the Second Plan period ; (iv) it is assumed that Pakistan will have to finance some rice imports out of its own resources as well as to pay a part of the freight on aided imports. The impact of the expanded PL-480 aid is not included in these projections and (v) a small increase is assumed in private invisible payments and government non-development expenditure in line with past experience.

61. It is obvious from the foregoing projections that country's own foreign exchange earnings will not be sufficient to meet all its non-development imports during the Plan period. There will be a gap of Rs. 250 crore ($ 525 million), which it is hoped will be covered by maintenance support, as otherwise a substantial part of the industrial capacity of the country would be left idle. It is expected that the fuller utilization of industrial capacity, permitted by the availability of maintenance support on the scale indicated here, would not only increase consumption but also generate the resources which would finance future economic growth as well as reduce Pakistan's need for further maintenance support.

TABLE 12

Requirment of Maintenance Support

(1960—65)

(Crore Rupees)

	1960-61 (Projection)	1964-65 (Projection)	Total Second Plan
Non-Development Imports	255	305	1,375
Foreign Exchange Earnings	216	245	1,125
Maintenance Support ..	39	60	250

62. As shown in Table 12, Rs. 39 crore ($ 82 million) of maintenance support was needed in 1960-61 to utilise fully the industrial capacity of the country. Actually, no maintenance support was received. This would have led to a serious underutilization of capacity but for the fact that (a) foreign exchange earnings turned to be higher by Rs. 5 crore ($ 10 million) than projected, (b) provision for debt servicing was Rs. 7 crore ($ 15 million) less than original projections, and (c) Pakistan's own foreign exchange reserves were allowed to run down. The consequences of the effort to liberalise raw material imports in the face of negligible maintenance support from abroad are beginning to become apparent only now. Foreign exchange reserves have declined by Rs. 41 crore ($ 86 million) in the last 7 months, from a level of Rs. 137 crore

($ 288 million) in March 1961 to Rs. 96 crore ($ 202 million) in October 1961. Obviously, the present trend of imports cannot be sustained for long without a substantial receipt of maintenance support. In order to reach an average level of Rs. 50 crore ($ 105 million) during the Plan period, the maintenance support will have to be much higher than Rs. 50 crore ($ 105 million) in the remaining four years. It is hoped that the requirement for maintenance support will progressively decline as exports increase and import substitutes are produced within the country. The estimate of maintenance support of Rs. 250 crore ($ 525 million) over the Plan period has already been endorsed by the World Bank Mission in its last report.

VI. Price Stability :

63. The Government is committed to maintain overall price stability during the Plan period. It has already decided not to undertake any net deficit financing during 1960—65. Additionally, the Government must ensure, through its monetary policies, that the expansion of private credit remains within "safe" limits.

64. It is assumed that money supply can be increased by about 25 per cent (Rs. 150 crore or $ 315 million) during the Plan period without putting undue pressure on the price level. This assumption is based on the expectation that national income will increase by about 24 per cent during the Plan period, and there will be some expansion of the monetized sector of the economy. Since the Government has decided not to undertake any net deficit financing, the net bank credit can increase by about Rs. 150 crore ($ 315 million) in the private sector without disturbing price stability. The position is summarised in Table 13 below :

TABLE 13

Causative Analysis of Increase in Money Supply

(Crore Rupees)

	Actual Increase during First Plan Period	Proposed Increase during Second Plan Period
Money Supply	195	150
Government Sector (net)	141	Nil
Private Sector		
Total Credit	75	200
Time Deposits	—44	—50
Net Change	31	150
Foreign Sector	28	Nil
Other Factors	—5	Nil

65. Private credit has increased at a fast rate during the last two years. The total increase was Rs. 77 crore ($ 162 million) in 1959-60 and 1960-61, which was offset to the extent of Rs. 50 crore ($ 105 million) by the accumulation of time deposits, leaving a net credit creation of Rs. 27 crore ($ 57 million) in the private sector. There were several factors which accounted for this sizeable increase in private credit: decontrol of foodgrains, liberalisation of imports, a jump in jute prices, and accelerated industrialisation in the wake of the relaxation of economic controls. It is difficult to predict the future rate of increase in private credit, though it should be noted that a part of the recent increase is of a once-for-all nature. The large increase in time deposits was also partly the result of some temporary factors: WAPDA deposited Rs. 8.5 crore ($ 18 million) with the intention of withdrawing it later on; over 60 per cent of the increase in time deposits was in deposits for a period of 3 to 12 months, indicating migratory funds.

66. Whereas no attempt is made to predict the future private demand for bank credit, Table 13 indicates that this demand can be satisfied to the extent of Rs. 40 crore ($ 84 million) per annum, on an average, during the Second Plan period, without putting undue pressure on prices. The current indications are that actual increase in private credit may be well below this target. Since the Government is committed not to undertake any net deficit financing, it may have to facilitate credit creation by the commercial banks by adding to their liquidity either through open market operations or through some other suitable monetary policies. The net increase in time deposits is not expected to be more than Rs. 10 crore ($ 21 million) per annum in the long run: there is likely to be some decumulation of present high levels of time deposits so that the increase of Rs. 30 crore ($ 63 million) during 1960-61 will even itself out over time. In any case, time deposits represent "near liquidity" and it would not be wise to depend on a sizeable offset to money supply from this quarter.

VII. Gross National Product:

67. The earlier projections of GNP have now been revised in the light of the revision of the Second Plan and the integration of Indus Basin replacement works and Works Programme for the purpose of these calculations. The original projections estimated an increase of 20 per cent in GNP on the basis of a 14 per cent increase in agricultural income, 60 per cent in large scale industry, 25 per cent in small scale industry, and about 20 per cent in other sectors including Government, trade and services. It is now estimated that the implementation of Indus Basin replacement works and Works Programme will lead to a considerable increase in wages and salaries, besides having a multiplier impact on other sectors of the economy. On present indications, large scale industrial income is also

expected to increase at a faster rate than originally projected. These adjustments are reflected in Table 14. The net result is that GNP is now expected to increase by about 24 per cent over the Plan period. Since population is expected to increase by about 11 per cent over the same period, this should enable the country to obtain a *per capita* growth rate of nearly 2½ per cent per annum, if all the programmes are effectively implemented. It should be noted, however, that the original Plan projected *per capita* income in 1964-65 at Rs. 292 ($ 61) in terms of constant prices of 1949—53, whereas the revised projections put it at Rs. 289 ($ 61). This is because of the higher level of population revealed by the 1961 Census as well as the projection of higher rate of population growth in future. Thus, the net effect of all the programmes outlined above will be not more than to hold the line at the level of real *per capita* income envisaged in the original Plan.

TABLE 14

Gross National Product

(Crore Rupees)

	1954-55 (actual)	1959-60 (actual)	1964-65 (projection)
Agriculture	1,221	1,294	1,478
Major Agricultural/Crops	712	785	924
Minor Agricultural Crops	150	150	170
Livestock	254	254	270
Fisheries	102	102	110
Forestry	3	3	4
Mining	4	6	8
Manufacturing	211	311	467
Large Scale	107	195	322
Small Scale	104	116	145
Government	105	136	180
Banking and Insurance	7	13	18
Transport and Communications	54	66	81
Services	167	184	276
Rental Income	111	122	144
Wholesale and Retail Trade	187	212	260
Total (in constant 1949-53 prices) ..	2,067	2,344	2,912
(in constant 1960-61 prices) ..	2,646	3,000	3,727
Population (in million)	83·1	91·0	100·6
Per Capita Income (Rs.) :			
(in constant 1949-53 prices) ..	249	258	289
(in constant 1960-61 prices) ..	319	330	370

APPENDIX A

(Background Tables on the Quantification of Factors Responsible for Increased Allocation in Various Sectors in the Revised Second Plan)

TABLE A-1

Agriculture Programme

Quantification of Factors Responsible for Increased Allocation

(Crore Rupees)

Sub-Sector	Original Plan Allocation	Revised Plan Allocation	Increase in Plan Allocation	Reasons for Increase in Plan Allocation: Under-provision of physical inputs	Price Increase	Increase in Physical Targets
1	2	3	4	5	6	7
Public Sector						
Fertilizer	31·8	42·0	10·2	—	4·6	5·6
Plant Protection	25·5	33·1	7·6	—	—	7·6
Seed Stores	1·3	6·4	5·1	—	—	5·1
Mechanization	6·3	7·0	0·7	0·4	0·3	—
Soils	1·0	1·6	0·6	0·6	—	—
Agricultural Extension	2·1	3·6	1·5	0·5	—	1·0
Agricultural Research	3·2	6·8	3·6	2·3	—	1·3
Agricultural Education	4·4	11·5	7·1	0·1	0·4	6·6
Soil Conservation	1·6	1·8	0·2	—	—	0·2
Foodgrain Storage	19·6	18·5	—1·1	—1·1	—	—
Forestry	13·4	15·9	2·5	0·5	0·8	1·2
Fisheries	4·6	6·0	1·4	—	—	1·4
Co-operatives	—	3·0	3·0	3·0	—	—
Model Scheme (Crash Programme).	—	5·8	5·8	—	—	5·8
Village-AID	48·0	28·0	—20·0	—20·0	—	—
Agricultural Development Corporation.	—	20·0	20·0	20·0	—	—
Miscellaneous Items	51·2	40·5	—10·7	—	—	—10·7
Private Sector	88·0	90·5	2·5	0·5	—	2·0
GRAND TOTAL	302·0	342·0	40·0	6·8	6·1	27·1

TABLE A-2

Water and Power Programme

Quantification of Factors Responsible for Increased Allocation

(Crore Rupees)

	Original Plan Allocation	Revised Plan Allocation	Increase in Plan Allocation	Reasons for Increase in Plan Allocation		
				Under-provision of physical inputs	Price Increase	Increase in Physical Targets
1	2	3	4	5	6	7
(a) East Pakistan						
(i) ***Water***						
Investigations and Surveys ..	7·1	7·0	— 0·1	—	—	—0·1
Multipurpose Development	77·9	69·8	— 8·1	8·7	10·5	—27·3
Flood Regulation	24·6	43·8	19·2	14·1	5·1	—
Irrigation	8·8	13·5	4·7	0·9	1·3	2·5
Miscellaneous	4·7	4·9	0·2	—	0·5	— 0·3
(ii) ***Power*** ..	28·8	37·1	8·3	4·7	3·6	—
Total—East Pakistan	151·9	176·1	24·2	28·4	21·0	—25·2
(b) West Pakistan						
(i) ***Water***						
Investigations and Surveys ..	7·7	12·2	4·5	4·3	—	0·2
Multipurpose Development	0·6	0·6	—	—	—	—
Flood Regulation ..	6·5	5·2	—1·3	—1·8	0·5	—
Irrigation	35·0	44·5	9·5	7·5	6·7	—4·7
Drainage and Reclamation	22·9	42·7	19·8	—	3·6	16·2
Open Canals	11·0	11·0	—	—	1·1	—1·1
Miscellaneous	3·0	3·4	0·4	—	0·3	0·1
(ii) ***Power*** ..	66·2	107·0	40·8	10·3	16·0	14·5
Total—West Pakistan	152·9	226·6	73·7	20·3	28·2	25·2
(c) Centre	9·3	11·4	2·1	0·1	2·0	—
Semi-Public and Private Sectors.	25·0	25·0	—	—	—	—
GRAND TOTAL (a+b+c) ..	339·1	439·1	100·0	48·8	51·2	*Nil*

TABLE A-3

Industry Programme

Quantification of Factors Responsible for Increased Allocation

(Crore Rupees)

Sub-sector	Original Plan Allocation	Revised Plan Allocation	Increase in Plan Allocation	Reasons for Increase in Plan Allocation		
				Under-provision of physical inputs	Price Increase	Increase in Physical Targets
1	2	3	4	5	6	7
Public Sector :						
Industrial Estate ..	7·5	10·0	2·5	0·4	2·1	—
Semi-Public Sector :						
Newsprint	2·5	4·0	1·5	0·9	0·6	—
Acetylene etc.	1·2	3·0	1·8	1·3	0·5	—
Shipyard	1·2	4·4	3·2	2·5	0·7	—
Cement	3·6	4·3	0·7	0·1	0·6	—
Coal Distillation ..	—	1·0	1·0	—	0·2	0·8
Antibiotics	0·3	2·4	2·1	—	0·3	1·8
Alcohol	—	0·5	0·5	—	0·1	0·4
Other Large Industries ..	75·7	88·0	12·3	—	12·3	—
Small Industries ..	25·0	28·4	3·4	—	3·4	—
Private Sector :						
Large Scale Industries ..	222·0	273·2	51·2	17·9	33·3	—
Working Capital for Large Industries.	50·0	70·0	20·0	12·5	7·5	—
Revolving Fund for Small Industries.	16·0	22·8	6·8	4·4	2·4	—
GRAND TOTAL ..	405·0	512·0	107·0	40·0	64·0	3·0

TABLE A-4

Fuels and Minerals Programme

Quantification of Factors Responsible for Increased Allocation

(Crore Rupees)

	Original Plan Allocation	Revised Plan Allocation	Increase in Plan Allocation	Reasons for Increase in Plan Allocation		
				Under-provision of physical inputs	Price Increase	Increase in Physical Targets
1	2	3	4	5	6	7
Geological Survey Work ..	2·0	3·0	1·0	—	—	1·0
Oil and Gas Prospecting ..	8·0	22·0	14·0	—	5·0	9·0
Other Expenditure ..	75·0	75·0	—	—	—	—
GRAND TOTAL ..	85·0	100·0	15·0	—	5·0	10·0

TABLE A-5

Transport and Communications Programme

Quantification of Factors Responsible for Increased Allocation

(Crore Rupees)

	Original Plan Allocation	Revised Plan Allocation	Increase in Plan Allocation	Reasons for Increase in Plan Allocation		
				Under-provision of physical inputs	Price Increase	Increase in Physical Targets
1	2	3	4	5	6	7
***Public and Semi-Public Sectors* :**						
Railways*						
(*a*) Rolling Stock	49·5	70·0	20·5	—	7·0	13·5
(*b*) Track	20·5	23·0	2·5	—	2·5	—
(*c*) Other facilities ..	26·0	38·5	12·5	2·4	3·4	6·7
(*d*) New Lines ..	—	8·5	8·5	—	1·5	7·0
Civil Aviation ..	29·6	39·6	10·0	—	2·0	8·0
Posts and Telegraphs ..	31·6	36·3	4·7	1·9	2·3	0·5
Chalna Anchorage ..	1·5	2·9	1·4	1·1	0·3	—
Roads	54·5	56·9	2·4	2·4	—	—
Other Expenditure ..	39·0	39·0	—	—	—	—
***Private Sector* :**						
Inland Water Transport	9·5	14·0	4·5	3·5	1·0	—
Road Transport ..	52·0	55·0	3·0	—	3·0	—
Other Expenditure ..	21·3	21·3	—	—	—	—
GRAND TOTAL	335·0	405·0	70·0	11·3	23·0	35·7

---

*Includes Rs. 10 crore for additional facilities in connection with the Indus Basin replacement works.

TABLE A-6

Housing and Settlements Sector

Quantification of Factors Responsible for Increased Allocation

(Crore Rupees)

Sub-Sector	Original Plan Allocation	Revised Plan Allocation	Increase in Plan Allocation	Reasons for Increase in Plan Allocation		
				Under-provision of physical inputs	Price Increase	Increase in Physical Targets
1	2	3	4	5	6	7
***Refugee Housing*:**						
East Pakistan ..	12·7	17·7	5·0	0·4	2·7	1·9
Centre	16·0	37·0	21·0	5·5	5·5	10·0
***Government Buildings*:**						
East Pakistan ..	5·5	16·0	10·5	—	2·4	8·1
West Pakistan ..	3·0	6·5	3·5	1·0	1·0	1·5
***Water Supply and Sewerage*:**						
East Pakistan ..	8·0	10·0	2·0	—	1·5	0·5
West Pakistan ..	4·5	13·5	9·0	3·1	2·1	3·8
Centre	11·0	13·0	2·0	—	2·0	—
***Aid to Local Bodies*:**						
East Pakistan ..	8·0	10·0	2·0	—	1·5	0·5
West Pakistan ..	5·0	7·0	2·0	—	1·5	0·5
Other Sectors	210·3	210·3	—	—	—	—
GRAND TOTAL ..	284·0	341·0	57·0	10·0	20·2	26·8

TABLE A-7

Education and Training Programme

Quantification of Factors Responsible for Increased Allocation

(Crore Rupees)

	Original Plan Allocation	Revised Plan Allocation	Increase in Plan Allocation	Reasons for Increase in Plan Allocation		
				Under-provision of Physical Inputs	Price Increase	Increase in Physical Targets
1	2	3	4	5	6	7
Primary Education ..	14·1	14·2	0·1	—	0·1	—
Secondary Education ..	15·4	16·1	0·7	—	0·7	—
Teacher Education ..	4·2	4·6	0·4	0·3	0·1	—
Technical Education ..	12·6	14·8	2·2	1·3	0·9	—
Colleges	9·6	9·9	0·3	0·1	0·2	—
Universities	12·0	12·0	—	—	—	—
Internal Scholarships ..	4·7	9·0	4·3	4·3	—	—
Social and Cultural Activities	3·0	3·1	0·1	—	0·1	—
Other Schemes of the Ministry of Education.	0·7	1·1	0·4	—	0·4	—
All other Expenditure ..	20·7	20·7	—	—	—	—
GRAND TOTAL ..	97·0	105·5	8·5	6·0	2·5	—

APPENDIX B

(Background Tables for Resources and Financing)

TABLE B-1

Surplus on Revenue Account

(Consolidated Accounts of Central and Provincial Governments)

(Crore Rupees)

Revenue Receipts				Revenue Expenditure			
Receipt Head	1960-61	1964-65	Total Second Plan period	Expenditure Head	1960-61	1964-65	Total Second Plan period
Taxes :							
Customs	61	73	335	Defence (*a*)	98	100	500
Excise Duties	37	46	205	Administrative	61	75	348
Sales Tax	41	60	250	Development Departments (including recurring liability).	60	85	350
Income and Corporation Tax ..	37	50	220	Debt Services	24	32	140
Land Revenue	24	27	125	Other Non-development Expenditure.	30	36	160
Other Taxes	22	26	120	Cushion for Extraordinary Expenditure (*c*).	5	15	50
Sub-total ..	222	282	1,255				
Revenue from public undertakings :							
Irrigation and Electricity	4	7	25				
Railways (*b*)	19	21	100				
Posts and Telegraphs	3	5	20				
Currency and Mint	6	6	30				
Sub-total ..	32	39	175	Total ..	278	343	1,548
Other Revenues :	45	51	240	Surplus ..	21	29	122
GRAND TOTAL ..	299	372	1,670	GRAND TOTAL ..	299	372	1,670

(*a*) Includes defence expenditure previously financed from defence support counterpart funds.

(*b*) The entire railway receipts have been shown here. According to the current budgetary practice, these receipts have been transferred to the Capital Account.

(*c*) A cushion is provided for any increase in expenditure that may result from the implementation of the forthcoming recommendations of the Pay and Services Commission.

TABLE B-2

Financing of the Provincial Programmes

(Crore Rupees)

	Centre	East Pakistan	West Pakistan	Total
1	2	3	4	5
Expenditure **:**				
Non-development expenditure	**1,029**	**226**	**373**	**1,628**
Revenue account	**952**	**225**	**371**	**1,548**
Capital account	**77**	**1**	**2**	**80**
Development expenditure	**541**	**453**	**468**	**1,462**
Revenue account	**50**	**75**	**75**	**200**
Capital account	**491**	**378**	**393**	**1,262**
Total expenditure	**1,570**	**679**	**841**	**3,090**
Resources **:-**				
Revenue receipts	**1,040**	**224**	**406**	**1,670**
Capital receipts	**192**	**10**	**18**	**220**
Project Aid and Loans	**525**	**—**	**—**	**525**
Sales Proceeds of Commodity Aid	**420**	**—**	**—**	**420**
PL 480 Counterpart Funds	**60**	**—**	**—**	**60**
Additional taxation	**115**	**20**	**40**	**175**
Local bodies	**2**	**7**	**11**	**20**
Total resources	**2,354**	**261**	**475**	**3,090**
FINANCIAL GAP	**+784**	**—418**	**—366**	**..**

APPENDIX C

(All Tables in the text and Appendices A and B are given in millions of U. S. dollars in the following Tables. It should be noted that the totals might not add up because of rounding).

TABLE C-1

Sectoral Distribution of the Original and Revised Plans

(Million Dollars)

Sector	Public Sector		Semi-Public Sector				Private Sector		Total	
			Government Contribution		Private Contribution					
	Original Allocation	Revised Allocation	Original Allocation	Revised Allocation	Original Allocation	Revised Allocation	Original Allocation	Revised Allocation	Original Allocation	Revised Allocation
1	2	3	4	5	6	7	8	9	10	11
Agriculture	449	529	—	—	—	—	185	189	634	718
Water and Power	658	869	—	—	40	40	13	13	712	922
Industry	27	21	218	286	105	122	500	647	850	1075
Fuels and Minerals	25	38	38	57	—	—	115	115	178	210
Transport and Communications	418	548	23	23	88	88	174	191	703	850
Housing and Settlements	189	296	88	101	82	82	237	237	596	716
Education and Training	183	199	—	—	—	—	21	21	204	221
Health	74	78	—	—	—	—	10	10	84	88
Manpower and Social Welfare	23	25	—	—	—	—	4	4	27	29
Total ..	2047	2604	367	466	315	332	1260	1428	3990	4830

Note.—The sum of columns (2) and (4) and Columns 3 and 5 constitutes the " government financed " sector ($ 2,415 million in the original Plan and $ 3,070 million in the Revised Plan). The sum of columns 6 and 8 and columns 7 and 9 constitutes the " private financed " sector ($ 1,575 million in the original Plan and $ 1,760 million in the Revised Plan).

TABLE C-2

Comparison of First and Second Plans

(Million Dollars)

Sector	First Plan (Actual expenditure)	Revised Second Plan (proposed expenditure)	Percentage Increase
	(In 1960-61 prices)		
Agriculture	302	718	138
Water & Power	483	922	91
Industry, Fuels and Minerals	861	1,285	49
Transport and Communications	479	850	78
Housing and Settlements	542	716	32
Education and Training	86	221	156
Health	29	88	200
Manpower and Social Welfare	10	29	180
Total ..	2,793	4,830	73

TABLE C-3

Quantification of Factors Responsible for Increase in the Size of the Second Plan

(Million Dollars)

	Original Plan Allocation	Revised Plan Allocation	Increase in Plan Allocation	Reasons for increase in Plan Allocation		
				Under-provision of physical Inputs	Price Increase	Increase in Physical Targets
1	2	3	4	5	6	7
Agriculture	634	718	84	14	13	57
Water and Power	712	922	210	102	108	—
Industry	850	1,075	225	84	135	6
Fuels and Minerals ..	178	210	31	—	11	21
Transport and Communications	703	850	147	23	48	76
Housing and Settlements ..	596	716	120	21	42	57
Education and Training ..	204	221	17	12	5	—
Health, Manpower and Social Welfare	111	117	6	4	2	—
Total ..	3,990	4,830	840	262	361	216

TABLE C-4

Sources and Uses of National Resources
(In 1960-61 prices)

(Million Dollars)

	1959-60	1964-65	Total Second Plan Period
Sources			
Gross National Product	6,300	7,827	35,700
Foreign Aid and Loans (including commodity aid)	258	525	2,300
Foreign Exchange Loans for Indus Basin ..	—	134	470
PL 480 Aid	78	210	722
Total Resources ..	6,636	8,696	39,192
Uses			
Revised Second Plan	609	1,241	4,830
Indus Basin replacement works	—	210	693
Works Programme	—	105	336
Consumption	6,027	7,140	33,333
Total Uses ..	6,636	8,696	39,192

TABLE C-5

Financing of the Second Plan, Indus Basin replacement works and Works Programme

(Million Dollars)

	Original Estimates			Revised Estimates		
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total
Requirements						
Second Plan	2,625	1,365	3,990	3,055	1,774	4,830
Maintenance Needs* ..	—315	+315	—	—525	+525	—
Net Second Plan ..	2,310	1,680	3,990	2,530	2,300	4,830
Indus Basin replacement works	227	283	510	302	391	693
Work Programme ..	—	—	—	256	80	336
Total requirements ..	2,537	1,963	4,500	3,089	2,770	5,859
Financing						
A. ***Second Plan***						
Revenue Surplus ..	168	—	168	256	—	256
Net Capital Receipts ..	315	—	315	294	—	294
Additional Taxation ..	210	—	210	367	—	367
Deficit Financing ..	210	—	210	—	—	—
Local Bodies	42	—	42	42	—	42
Project Aid and Loans ..	—	1,029	1,029	—	1,438	1,438
Foreign Private Investment	—	126	126	—	126	126
Commodity Aid ..	—	525	525	—	735	735
Customs on Commodity Aid	105	—	105	147	—	147
PL 480 Counterpart Funds	—	—	—	126	—	126
Private Savings (including public corporations' own resources) ..	1,260	—	1,260	1,298	—	1,298
Sub-total (A)	2,310	1,680	3,990	2,530	2,299	4,830

***Resources generated by the maintenance support are already included in the Plan.**

TABLE C-5—*contd.*

(Million Dollars)

	Original Estimates			Revised Estimates		
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Currency	Total
B. ***Indus Basin replacement works***						
Foreign Exchange Loans ..	—	363	363	—	470	470
PL 480 Counterpart Funds	147	—	147	223	—	223
Excess of Foreign Exchange over Needs ..	80	—80	..	+80	—80	..
Sub-total (B) ..	227	283	510	302	391	693
Works Programme						
Availability of PL 480 Counterpart Funds ..	—	—	—	336	—	336
Purchase of Excess Foreign Exchange from Indus Basin Fund ..	—	—	—	—80	+80	—
Sub-total (C) ..	—	—	—	256	80	336
GRAND TOTAL (A+B+C) ..	2,537	1,963	4,500	3,089	2,770	5,859

TABLE C-6

Resources for the Government Financed Sector
(1960—65)

(Million Dollars)

	Original Plan	Revised Plan
Sources		
Surplus on Revenue Account	168	256
Net Capital Receipts	315	294
Local Bodies	42	42
Sales Proceed of Commodity Aid	630	883
PL 480 Counterpart Funds	—	126
Project Aid and Loans	840	1,102
Additional Taxation	210	367
Deficit Financing	210	—
	2,415	3,070
Uses		
Public Sector's own Development Programme	2,047	2,604
Loans to the Semi-public Sector	367	466
	2,415	3,070

TABLE C-7

Foreign Exchange Budget
(1960—65)

(Million Dollars)

Availability				Uses			
	Public Sector	Private and Semi-Public Sectors	Total		Public Sector	Private and Semi-Public Sectors	Total
Project Aid and Loans ..	1,102	336	1,438	Foreign Exchange Component ..	951	823	1,774
Foreign Private Investment ..	—	126	126	Maintenance Needs	—	525	525
Commodity Aid ..	735	—	735				
Total Availability	1,837	462	2,300	Total Use ..	951	1,348	2,300

TABLE C-8

PL 480 *Counterpart Funds*

(1960-65)

(Million Dollars)

Accruals		Uses	
Expected Arrivals	722	U.S. Uses	80
Customs and Sales Tax	42	Indus Basin replacement works ..	223
		Revised Plan requirements ..	126
		Available for Works Programme	336
Total ..	764	Total ..	764

TABLE C-9

Tentative Phasing of Expenditure on Indus Basin Works during the Second Plan Period

(Million Dollars)

	Non-re-imbursable Expenditure			Re-imbursable Expenditure			Total		
	Local Currency	Foreign Currency	Total	Local Currency	Foreign Cur rency	Total	Local Currency	Foreign Currency	Total
	1	2	3	4	5	6	7	8	9
1960-61 ..	0·8	—	0·8	6·7	5·9	12·6	7·6	5·9	13·4
1961-62 ..	1·5	0·6	2·1	82·5	25·6	108·1	84·0	26·2	110·2
1962-63 ..	1·0	2·1	3·1	62·8	97·6	160·4	63·8	99·7	163·5
1963-64 ..	3·1	4·8	8·0	53·5	134·2	187·7	56·7	139·0	195·7
1964-65 ...	7·8	11·3	19·1	83·2	107·9	191·1	90·9	119·3	210·2
Total Second Plan Period	14·3	18·9	33·2	288·7	371·3	660·0	303·0	390·2	693·2

TABLE C-10

Projections of Foreign Exchange Earnings (1960-65)

(Million Dollars)

	1960-61 (Actual)	1964-65 (Projection)	Total Second Plan
Raw Jute	183	168	861
Jute Manufactures	67	71	336
Raw Cotton	43	55	231
Cotton Manufactures	25	46	168
Hides and Skins	15	15	73
Wool	17	17	84
Miscellaneous Exports	57	84	315
Invisible Receipts	59	59	294
Total ..	464	514	2,362

TABLE C-11

Projections of Non-development Imports

(1960-65)

(Million Dollars)

	1960-61 (Actuals)	1964-65 (Projection)	Total Second Plan Period
Consumer Goods	78	67	357
Raw Materials Fuels and Spares	204	323	1,428
Invisible Payments (on private account)	78	90	420
Debt Service	17	101	304
Other Government Expenditure	46	48	231
Foodgrain Purchases from Pakistan's Own Resources (including freight on aided imports).	42	10	147
Total ..	464	641	2,887

TABLE C-12

Requirement of Maintenance Support

(1960—65)

(Million Dollars)

	1960-61 (Projection)	1964-65 (Projection)	Total Second Plan Period
Non-Development Imports	535	641	2,887
Foreign Exchange Earnings	454	514	2,362
Maintenance Support	82	126	525

TABLE C-13

Causative Analysis of Increase in Money Supply

(Million Dollars)

	Actual Increase during Plan Period	Proposed Increase during Second Plan Period
Money Supply	409	315
Government Sector (net)	296	
Private Sector—		
Total Credit	157	420
Time Deposits	—92	—105
Net Change	65	315
Foreign Sector	59	—
Other Factors	—10	—

TABLE C-14

Gross National Product

Million Dollars)

	1954-55	1959-60	1964-65
	(Actual)	(Actual)	(Projection)
Agriculture	2,564	2,717	3,104
Major Agricultural Crops	1,495	1,648	1,940
Minor Agricultural Crops	315	315	357
Livestock	533	533	567
Fisheries	214	214	231
Forestry	6	6	8
Mining	8	13	17
Manufacturing	443	653	981
Large scale	225	409	676
Small scale	218	244	304
Government	220	286	378
Banking and Insurance	15	27	38
Transport and Communications	113	139	170
Services	351	386	580
Rental Income	233	256	302
Wholesale and Retail Trade	393	445	546
Total (in constant 1949-53 prices).. ..	4,341	4,922	6,115
(in constant 1960-61 prices) ..	5,557	6,300	7,827
Population (in million)	83·1	91·0	100·6
Per capita Income ($)			
(In constant 1949-53 prcies)	52	54	61
(In constant 1960-61 prices)	;67	69	77

TABLE C-15

Agriculture Programme

Quantification of Factors Responsible for Increased Allocation

(Million Dollars)

Sub-Sector	Original Plan Allocation	Revised Plan Allocation	Increase in Plan Allocation	Reasons for Increase in Plan Allocation		
				Under provision of physical inputs	Price Increase	Increase in Physical Target
***Public Sector* :**						
Fertilizer	67	89	22	—	10	12
Plant Protection ..	54	70	16	—	—	16
Seed Stores	2	13	11	—	—	11
Mechanization ..	13	14	1	1	—	—
Soils	2	3	1	1	—	—
Agricultural Extension ..	5	8	3	1	—	2
Agricultural Research ..	7	14	7	5	—	2
Agricultural Education..	9	24	15	—	1	14
Soil Conservation ..	3	4	1	—	—	1
Foodgrain Storage ..	41	39	—2	—2	—	—
Forestry	28	33	5	1	2	2
Fisheries	10	13	3	—	—	3
Co-operatives	..	6	6	6	—	—
Model Scheme (Crash Programme)	..	12	12	—	—	12
Village-AID	101	59	—42	—42	—	—
Agricultural Development Corporation	..	42	42	42	—	—
Miscellaneous ..	107	85	—22	—	—	—22
Private Sector	185	190	5	1	—	4
GRAND TOTAL ..	634	718	84	14	13	57

TABLE C-16

Water and Power Programme

Quantification of Factors Responsible for Increased Allocation

(Million Dollars)

Sub-Sector	Original Plan Allocation	Revised Plan Allocation	Increase in Plan Allocation	Reasons for Increase in Plan Allocation: Under provision of physical inputs	Price Increase	Increase in Physical Target
(A) East Pakistan						
(i) *Water*						
Investigations and Surveys.	15	15	—	—	—	—
Multipurpose Development.	164	147	—17	18	22	—57
Food Regulation ..	52	92	40	29	11	—
Irrigation	18	28	10	2	3	5
Miscellaneous ..	10	10	—	—	1	—1
(ii) *Water*	60	77	18	10	8	—
Total East Pakistan ..	319	370	51	59	45	—53
(B) West Pakistan						
(i) *Water*						
Investigations and Surveys.	16	26	10	9	..	1
Multipurpose Development.	1	1	—	—	—	—
Flood Regulation ..	14	11	—3	—4	1	—
Irrigation	74	94	20	16	14	—10
Drainage & Reclamation	48	90	42	—	8	34
Open Canals ..	23	23	—	—	2	—2
Miscellaneous ..	6	7	1	—	1	—
(ii) *Power*	139	225	86	22	33	30
Total West Pakistan ..	321	476	155	43	59	53
(C) Centre	20	24	4	—	4	—
(D) Semi-Public & Private Sector.	52	52	—	—	—	—
GRAND TOTAL ..	712	922	210	102	108	—

TABLE C-17

Industry Programme

Quantification of Factors Responsible for Increased Allocation

(Million Dollars)

Sub-sector	Original Plan allocation	Revised Plan Allocation	Increase in Plan Allocation	Reasons for Increase in Plan Allocation		
				Under provision of physical inputs	Price Increase	Increase in Physical Targets
1	2	3	4	5	6	7
***Public Sector*:**						
Industrial Estimates ..	16	21	5	1	4	—
Semi-Public Sector						
Newsprint	5	8	3	2	1	—
Acetylene etc.	2	6	4	3	1	—
Shipyard	2	9	7	5	2	—
Cement	8	9	1	—	1	—
Coal Distribution	—	2	2	—	—	2
Antibiotics	1	5	4	—	1	3
Alcohol	—	1	1	—	—	1
Other Large Industries ..	159	185	26	—	26	—
Small Industries ..	52	60	8	—	8	—
***Private Sector*:**						
Large Scale Industries ..	466	574	108	38	70	—
Working Capital for Large Industries.	105	147	42	26	16	—
Revolving Fund for Small Industries.	34	48	14	9	5	—
GRAND TOTAL ..	850	1,075	225	84	135	6

TABLE C-18

Fuels and Minerals Programme

Quantification of Factors Responsible for Increased Allocation

(Million Dollars)

	Original Plan Allocation	Revised Plan Allocation	Increase in Plan Allocation	Reasons for Increase in Plan Allocation		
				Under provision of physical inputs	Price Increase	Increase in Physical Targets
1	2	3	4	5	6	7
Geological Survey work ..	4	6	2	—	—	2
Oil and Gas Prospecting ...	17	47	29	—	11	19
Other Expenditure ..	157	157	—	—	—	—
GRAND TOTAL ..	178	210	31	—	11	21

TABLE C-19

Transport and Communication Programme

Quantification of Factors Responsible for Increased Allocation

(Million Dollars)

	Original Plan Allocation	Revised Plan Allocation	Increase in Plan Allocation	Reasons for Increase in Plan Allocation		
				Under provision of physical inputs	Price Increase	Increase in Physical Targets
1	2	3	4	5	6	7
Public and Semi-public Sector **:**						
Railways*						
(*a*) Rolling Stock ..	**104**	**147**	**43**	**—**	**15**	**28**
(*b*) Track	**43**	**48**	**5**	**—**	**5**	**—**
(*c*) Other facilities ..	**55**	**81**	**26**	**5**	**7**	**14**
(*d*) New Lines ..	**—**	**18**	**18**	**—**	**3**	**15**
Civil Aviation	**62**	**83**	**21**	**—**	**4**	**17**
Posts & Telegraphs ..	**66**	**76**	**10**	**4**	**5**	**1**
Chalna Anchorage ..	**3**	**6**	**3**	**2**	**1**	**—**
Roads	**114**	**119**	**5**	**5**	**—**	**—**
Other Expenditure ..	**82**	**82**	**—**	**—**	**—**	**—**
Private Sector **:**						
Inland Water Transport ..	**20**	**29**	**9**	**7**	**2**	**—**
Road Transport ..	**109**	**116**	**6**	**—**	**6**	**—**
Other Expenditure ..	**45**	**45**	**—**	**—**	**—**	**—**
GRAND TOTAL ..	**703**	**850**	**147**	**23**	**48**	**76**

---

*Includes $ 21 million for additional facilities in connection with the Indus Basin replacement works.

TABLE C-20

Housing and Settlements Sector

Quantification of Factors Responsible for Increased Allocation

(Million Dollars)

	Original Plan Allocation	Revised Plan Allocation	Increase in Plan Allocation	Reasons for Increase in Plan Allocation		
				Under provision of physical Inputs	Price Increase	Increase in Physical Targets
1	2	3	4	5	6	7
Refugee Housing						
East Pakistan ..	27	37	10	1	5	4
Centre	34	78	44	12	12	20
Government Buildings						
East Pakistan ..	11	33	22	—	5	17
West Pakistan ..	6	14	7	2	2	4
Water Supply & Sewerage						
East Pakistan ..	17	21	4	—	3	1
West Pakistan ..	9	28	19	6	5	8
Centre	23	27	4	—	4	—
Aid to Local Bodies						
East Pakistan ..	16	21	4	—	3	1
West Pakistan ..	11	15	4	—	3	1
Other Sectors	442	442	—	—	—	—
GRAND TOTAL ..	596	716	120	21	42	57

TABLE C-21

Education and Training Programme

Quantification of Factors Responsible for Increased Allocation

(Million Dollars)

	Original Plan Allocation	Revised Plan Allocation	Increase in Plan Allocation	Reasons for Increase in Plan Allocation		
				Under provision of physical Inputs	Price Increase	Increase in Physical Targets
1	2	3	4	5	6	7
Primary Education ..	30	30	—	—	—	—
Secondary Education ..	32	34	2	—	2	—
Teacher Education ..	9	10	1	1	—	—
Technical Education ..	27	31	4	2	2	—
Colleges	20	21	1	—	1	—
Universities	25	25	—	—	—	—
Internal Scholarships ..	10	18	9	9	—	—
Social and Cultural Activities	7	7	—	—	—	—
Other schemes of the Ministry of Education.	1	2	1	—	1	—
All other Expenditure ..	43	43	—	—	—	—
GRAND TOTAL ..	204	221	17	12	5	—

TABLE C-22

Surplus on Revenue Account

(Consolidated Accounts of Central and Provincial Governments)

(Million US $)

Revenue Receipts				Revenue Expenditure			
Receipt Head	1960-61	1964-65	Total Second Plan period	Expenditure Head	1960-61	1964-65	Total Second Plan period
Taxes—							
Customs	128	153	704	Defence (a)	206	210	1,050
Excise Duties	78	96	430	Administrative Departments ..	128	158	731
Sales Tax	86	126	525	Development Departments (including recurring liability).	126	179	735
Income and Corporation Tax	78	105	462	Debt Services	50	67	294
Land Revenue	50	57	262	Other Non-development Expenditure	63	76	336
Other Taxes	46	55	252	Cushion for Extra-ordinary Expenditure (c).	11	30	105
Sub-Total	466	592	2635				
Revenue from public undertakings—							
Irrigation and Electricity ..	8	15	53				
Railways (b)	40	44	210				
Posts and Telegraphs ..	6	10	42				
Currency and Mint	13	13	63	Total ..	584	720	3,251
Sub-total	67	82	368				
Other Revenues	95	107	504	Surplus	44	61	256
GRAND TOTAL ..	628	781	3,507	GRAND TOTAL ..	628	781	3,507

(*a*) Includes defence expenditure previously financed from defence support counterpart funds.

(*b*) The entire railway receipts have been shown here. According to the current budgetary practice, these receipts have been transferred to the Capital Account.

(*c*) A cushion is provided for any increase in expenditure that may result from the implementation of the forthcoming recommendations of the Pay and Services Commission.

TABLE C-23

Financing of the Provincial Programmes

(Million Dollars)

	Centre	East Pakistan	West Pakistan	Total
Expenditure—				
Non-development expenditure ..	2,161	475	783	3,419
Revenue Account	1,999	473	779	3,251
Capital Account	162	2	4	168
Development Expenditure	1136	951	983	3,070
Revenue account	105	157	158	420
Capital Account	1,031	794	825	2,650
Total Expenditure ..	3,297	1,426	1,766	6,489
Resources—				
Revenue receipts	2,184	470	853	3,507
Capital Receipts	403	21	38	462
Project Aid and Loans	1,102	—	—	1,102
Sales Proceeds of Commodity Aid ..	882	—	—	882
PL 480 Counter part Funds ..	126	—	—	126
Additional taxation	242	42	84	368
Local bodies	4	15	23	42
Total resources ..	4,943	548	998	6,489
FINANCIAL GAP ..	+1,646	—878	—768	..

GPPK—S 70 (61) Pl. Com.—14-11-61—1,000.